



# WEEKLY ECONOMIC DIGEST

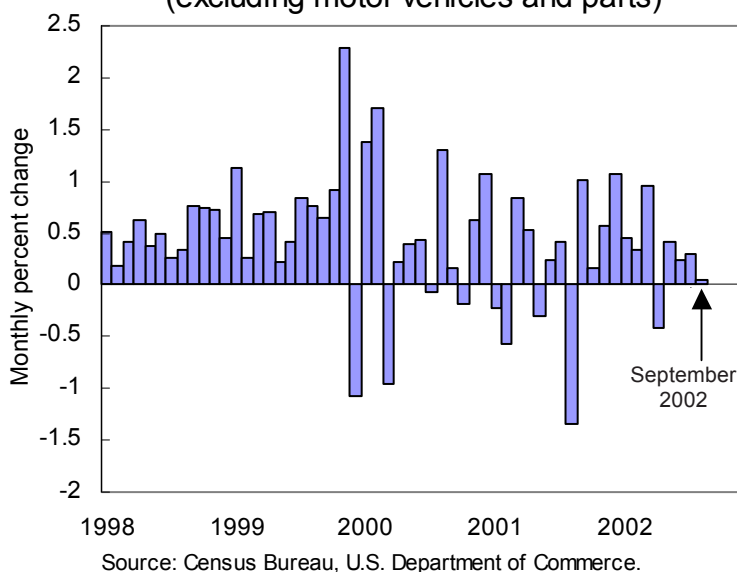


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

October 15, 2002

## Retail Sales and Consumer Confidence Dropped

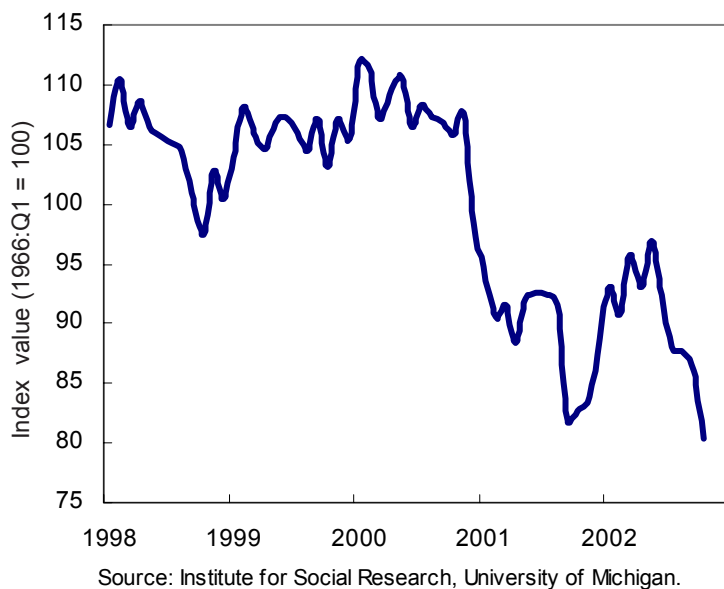
Retail and Food Services Sales  
(excluding motor vehicles and parts)



- **Retail sales slipped in September.** Sales at retail and food service establishments fell by 1.2 percent last month. Much of that decline reflected a sharp drop in automotive sales. However, other sales were weak as well: excluding automotive goods, retail sales grew by a scant 0.1 percent. Over the last three months, non-automotive sales have slowed sharply, growing at a 2.4 percent annual rate in the third quarter, in comparison with a 4.8 percent advance in the second quarter. That trend does not bode well for fourth quarter growth if, as many forecasters expect, automotive sales weaken further.

- **Producer prices rose modestly last month.** The producer price index for finished goods rose 0.1 percent in September. The core producer price index (which excludes food and energy prices) inched up at the same rate as the overall index. So far this year, that core price level has declined at a 0.4 percent average annual rate.

Consumer Sentiment



- **Consumer sentiment sank 6.6 percent in early October.** The University of Michigan's index of consumer sentiment, which has been declining since May, fell to its lowest level since 1993. Consumers were more pessimistic about current and future economic conditions. The declining stock market and continued weakness in labor markets contributed to the most recent loss of confidence. Depressed levels of consumer confidence underscore the downside risks for household spending over the near term.

- **Jobless claims fell in early October.** Initial claims for unemployment insurance declined sharply to 384,000 in the first week of this month. That decline of 40,000 applications was the largest weekly decline in six months. The four-week moving average of initial claims, however, remained over 400,000 and continued to reflect weak labor markets.

<b>Economy At A Glance</b>	Sep	Aug	Jul	Jun	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2001 Qtr 4	2001	2000
<b>Economic Activity</b>										
Real GDP (% growth)						1.3	5.0	2.7	0.3	3.8
Industrial Production (% growth)*		-3.5	4.9	7.4		4.1	2.6	-6.7	-3.9	4.5
Capacity Utilization (Level, %)*		76.0	76.2	76.0		75.6	75.0	74.7	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.6	5.7	5.9	5.9	5.7	5.9	5.6	5.6	4.8	4.0
Housing Starts (Thousands)*		1609	1645	1692		1667	1725	1573	1603	1573
Real Disposable Personal Income (% growth)		2.4	0.0	7.4		3.6	14.5	-7.6	1.8	4.8
Retail Sales (% growth)	-13.5	7.4	15.3	17.8	7.3	4.3	-2.5	12.7	3.8	6.7
Personal Saving Rate (Level, %)		3.6	3.5	4.3		4.0	3.5	0.8	2.3	2.8
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)*		3.7	1.2	1.2		3.4	1.4	-0.3	2.8	3.4
Core CPI-U Inflation (% growth)*		3.7	2.4	1.2		2.2	2.3	2.7	2.7	2.4
Compensation per Hour (% growth)						4.4	3.6	4.2	4.1	4.5
Output per Hour (% growth)						1.5	8.6	7.3	1.1	2.9
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	1.6	1.6	1.7	1.7	1.6	1.7	1.7	1.9	3.4	5.8
T-Note Rate, 10-years (Level, %)	3.9	4.3	4.7	4.9	4.3	5.1	5.1	4.8	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.7	1.7	1.8	1.7	1.8	1.7	2.1	3.9	6.2
Dow Jones Industrial Avg (Index level)	8161	8685	8617	9492	8488	9913	10105	9641	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

\* Subject to revision this week.

#### Upcoming Economic Releases:

- **New Residential Construction, September** [Release: Thursday, October 17]
- **Industrial Production and Capacity Utilization, September** [Release: Thursday, October 17]
- **Consumer Price Index, September** [Release: Friday, October 18]
- **International Trade in Goods and Services, August** [Release: Friday, October 18]